

Extensive opportunity in both defence & commercial shipbuilding segments

About the stock: Cochin Shipyard (CSL), incorporated in 1972 as a Government of India company, is one of the leading ship-building & ship-repair yards in India

- For 9MFY25, revenue is up 20.4% YoY to ₹ 3062.3 crore, as ship-repair revenue is up 45.7% YoY while ship-building revenue is up 10.6% YoY. FY24 revenue ₹ 3830.5 (+62% from FY23)

Investment Rationale:

- Strong capabilities in ship-building & ship repair; execution pick-up of strong order-backlog to drive growth:** With advanced state-of-the-art infrastructure (capacity of up-to 110000 DWT in ship-building and up-to 125000 DWT in ship-repair), CSL is adept at executing diversified projects in both these segments. With commissioning of new dry dock facility and International Ship Repair Facility (ISRF), company's capabilities have increased significantly. During 9MFY25, execution in ship-building segment (66% of total) has been moderated (revenue grew ~11% YoY) while the execution in ship-repair segment remained strong (revenue grew ~46% YoY). With strong order backlog (estimated at ~ ₹ 22000 crore; ~5x TTM revenue) and pick-up in execution, we expect revenue growth to remain healthy in the coming period
- Order inflows opportunity remains robust:** The company is well-positioned to benefit from significant order inflows in both defence and commercial shipbuilding, supported by a strong pipeline. The Indian Navy's plans to acquire warships, including an estimated ₹ 40,000 crore aircraft carrier, present major opportunity for CSL. Additionally, we believe that the govt's strong focus on improving India's maritime infrastructure will create significant opportunities in commercial ship-building across cargo and passenger segments. Govt aspires to position India among the world's top five shipbuilding nations (currently India's position stands at 22 with less than 1% share in global ship-building market). Furthermore, talks have begun with leading shipbuilders from South Korea and Japan to promote collaboration and enhance production capabilities in India. Europe also plans to replace its 2,500 vessels with green vessels, creating substantial demand for exports. The ship repair sector also shows promise, bolstered by the company's capabilities and government support. Recently, the company signed a MoU with AP Moller – Maersk to enhance ship maintenance, explore repair, construction opportunities

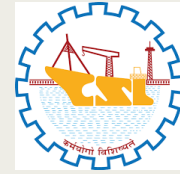
Rating and Target Price

- We expect CSL to witness significant YoY growth in revenues & profitability over FY24-27E, led by execution pick-up in both the segments and increasing share of margin accretive ship-repair segment. We estimate revenue & PAT CAGR of ~21% & ~18% over FY24-27E
- Valuations look attractive considering the multiple growth drivers. We value CSL at ₹ 1700 per share (based on 35x P/E on FY27E EPS)

Key Financial Summary

(Rs crore)	FY22	FY23	FY24	2 Year CAGR (FY22-24)	FY25E	FY26E	FY27E	3 Year CAGR (FY24-27E)
Revenues	3,191	2,365	3,830	9.6	4,658	5,583	6,725	20.6
EBITDA	623	253	869	18.1	950	1,203	1,496	19.9
EBITDA margin (%)	19.5	10.7	22.7		20.4	21.5	22.2	
Net Profit	564	305	783	17.9	800	1,022	1,277	17.7
EPS (Rs)	42.9	23.2	29.8		30.4	38.8	48.5	
P/E (x)	67.8	125.4	48.8		47.8	37.4	29.9	
EV/EBITDA (x)	56.4	132.6	39.6		34.9	27.1	20.9	
RoCE (%)	18.1	8.6	22.0		20.5	23.2	25.4	
RoE (%)	12.8	7.9	15.7		14.5	16.5	18.2	

Source: Company, ICICI Direct Research



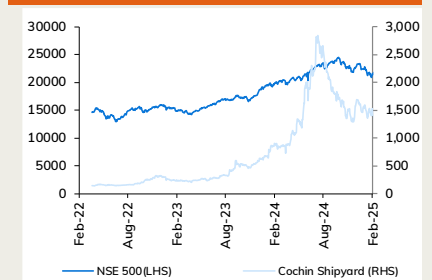
Particulars

Particulars	Amount (Rs crore)
Market Capitalisation	37,200
FY24 Gross Debt	23
FY24 Cash	3,864
EV	33,359
52 Week H/L (Rs)	2979 / 865
Equity Capital (Rs)	131.5
Face Value (Rs)	5.0

Shareholding pattern

	Mar-24	Jun-24	Sep-24	Dec-24
Promoter	72.9	72.9	72.9	67.9
FII	5.2	4.9	3.8	2.9
DII	2.5	2.5	3.0	6.6
Others	19.5	19.7	20.3	22.6

Price Chart



Key risks

- Dependent on govt contracts
- High working capital requirement
- Availability of key raw materials

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Exhibit 1: 9MFY25 performance

Rs crore	9MFY25	9MFY24	YoY	Comments
Revenue from Operations	3062.3	2544.0	20.4%	Revenue growth is mainly led by sharp growth in ship-repair segment
Raw material cost	1432.2	1108.7	29.2%	
Employee cost	307.3	276.7	11.0%	
Others cost	710.8	578.5	22.9%	
Total Expenditure	2450.3	1964.0	24.8%	
EBITDA	612.0	580.0	5.5%	
EBITDA Margin	20.0%	22.8%		Margins decline in ship-building segment led to overall contraction in EBITDA margin
Other Income	231.9	230.5	0.6%	
Depreciation	76.1	55.1	38.1%	
Interest cost	26.8	26.6	0.7%	
PBT	741.0	728.8	1.7%	
Tax	201.0	204.2	-1.6%	
PAT	540.1	524.6	3.0%	
Segmental details				
Revenue from operations				
Ship-Building	2034.1	1838.5	10.6%	Moderate execution witnessed in ship-building
% of total	66%	72%		
Ship-Repair	1028.2	705.5	45.7%	Strong execution in ship-repair
% of total	34%	28%		
EBIT				
Ship-Building	317.3	415.2	-23.6%	Margins impacted in ship-building as the execution remained moderated
EBIT Margin	15.6%	22.6%		
Ship-Repair	394.3	231.0	70.7%	Margins improved substantially in ship-repair
EBIT Margin	38.3%	32.7%		

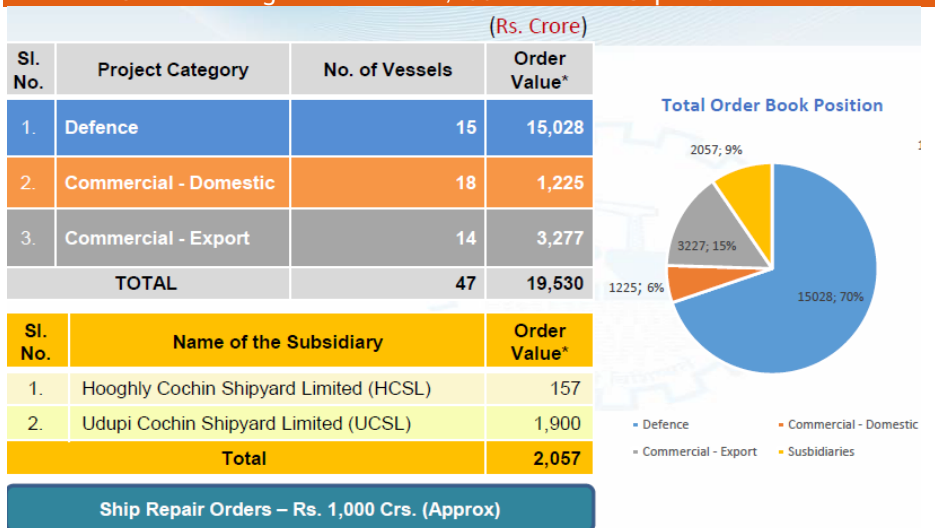
Source: Company, ICICI Direct Research

Exhibit 2: Assumptions

	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue from Ship-building segment	2512.0	1793.0	2823.7	3148.4	3620.6	4272.4
YoY	4.4%	-28.6%	57.5%	11.5%	15.0%	18.0%
Revenue from Ship-repair segment	678.9	571.6	1006.4	1509.6	1962.4	2453.0
YoY	64.3%	-15.8%	76.1%	50.0%	30.0%	25.0%
Total Revenue	3190.9	2364.6	3830.0	4657.9	5583.1	6725.4
YoY	13.2%	-25.9%	62.0%	21.6%	19.9%	20.5%
% of total revenue						
Shipbuilding	79%	76%	74%	68%	65%	64%
Ship Repair	21%	24%	26%	32%	35%	36%

Source: Company, ICICI Direct Research

Exhibit 3: Order backlog stood at Rs 22,500 crore as of Sept-2024



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement

	₹ crore			
(₹ Crore)	FY24	FY25E	FY26E	FY27E
Revenue	3,830	4,658	5,583	6,725
% Growth	62.0	21.6	19.9	20.5
Other income	310.2	291.9	350.3	420.4
Total Revenue	3,830	4,658	5,583	6,725
% Growth	62.0	21.6	19.9	20.5
Total Raw Material Costs	1,735	2,166	2,568	3,094
Employee Expenses	386	427	513	615
other expenses	249	275	336	410
Total Operating Expendit	2,962	3,708	4,381	5,229
Operating Profit (EBITDA)	869	950	1,203	1,496
% Growth	242.7	9.3	26.6	24.4
EBITDA Margin	22.7	20.4	21.5	22.2
Interest	33	38	39	40
PBDT	1,146	1,204	1,514	1,877
Depreciation	75	106	114	128
PBT before Exceptional lte	1,071	1,097	1,399	1,749
Total Tax	288	297	378	472
PAT before MI	783	800	1,022	1,277
PAT	783.3	800	1,022	1,277
% Growth	157.1	2.2	27.7	25.0
EPS	29.8	30.4	38.8	48.5

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet

	₹ crore			
(₹ Crore)	FY24	FY25E	FY26E	FY27E
Equity Capital	131.5	131.5	131.5	131.5
Reserve and Surplus	4,872	5,383	6,049	6,892
Total Shareholders funds	5,003	5,514	6,181	7,023
Total Debt	23	23	23	23
Total Liabilities	5,526	6,037	6,703	7,546
Gross Block	1,319	4,091	4,541	5,041
Acc. Depreciation	447	553	667	795
Net Block	949	3,539	3,874	4,246
Capital WIP	2,195	150	200	200
Total Fixed Assets	3,163	3,707	4,093	4,465
Non Current Assets	240	240	240	240
Inventory	1,026	1,149	1,377	1,658
Debtors	355	510	612	737
Loans and Advances	1	1	2	2
Other Current Assets	3,270	3,258	4,112	4,708
Cash	3,864	5,069	5,607	6,947
Total Current Assets	8,639	10,108	11,831	14,174
Current Liabilities	465	574	612	737
Provisions	674	896	990	1,121
Total Current Liabilities	6,516	8,019	9,461	11,333
Net Current Assets	2,122	2,089	2,370	2,841
Total Assets	5,526	6,037	6,703	7,546

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement

	₹ crore			
(₹ Crore)	FY24	FY25E	FY26E	FY27E
Profit after Tax	783	800	1,022	1,277
Depreciation	75	106	114	128
Interest	33	38	39	40
Cash Flow before WC changes	891	944	1,175	1,445
Changes in inventory	(653)	(122)	(228)	(282)
Changes in debtors	(17)	(155)	(101)	(125)
Changes in loans & Advances	(0)	(0)	(0)	(0)
Changes in other current assets	(1,718)	13	(854)	(596)
Net Increase in Current Assets	(2,404)	(265)	(1,184)	(1,003)
Changes in creditors	249	109	38	125
Changes in provisions	239	222	94	130
Net Inc in Current Liabilities	1,515	1,503	1,442	1,873
Net CF from Operating activities	2	2,182	1,432	2,314
Changes in def tax assets	0	-	-	-
(Purchase)/Sale of Fixed Assets	(667)	(650)	(500)	(500)
Net CF from Investing activities	(545)	(650)	(500)	(500)
Dividend and Dividend Tax	(237)	(289)	(355)	(434)
Net CF from Financing Activities	(351)	(327)	(394)	(474)
Net Cash flow	(894)	1,205	538	1,340
Opening Cash/Cash Equivalent	4,758	3,864	5,069	5,607
Closing Cash/ Cash Equivalent	3,864	5,069	5,607	6,947

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY24	FY25E	FY26E	FY27E
Diluted EPS	29.8	30.4	38.8	48.5
Cash per Share	146.9	192.7	213.1	264.1
BV	190.2	209.6	234.9	267.0
Dividend per share	9.0	11.0	13.5	16.5
Dividend payout ratio	0.3	0.4	0.3	0.3
EBITDA Margin	22.7	20.4	21.5	22.2
PAT Margin	20.4	17.2	18.3	19.0
RoE	15.7	14.5	16.5	18.2
RoCE	22.0	20.5	23.2	25.4
EV / EBITDA	39.6	34.9	27.1	20.9
P/E	48.8	47.8	37.4	29.9
EV / Net Sales	9.0	7.1	5.8	4.7
Sales / Equity	0.8	0.8	0.9	1.0
Market Cap / Sales	10.0	8.2	6.8	5.7
Price to Book Value	7.6	6.9	6.2	5.4
Asset turnover	0.8	0.8	0.9	1.0
Debtors Turnover Ratio	11.0	10.8	9.9	10.0
Creditors Turnover Ratio	11.2	9.0	9.4	10.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	4.3	3.5	3.9	3.9
Quick Ratio	3.3	2.6	3.0	3.0

Source: Company, ICICI Direct Research

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Sell: <-15%



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